

DATE: September 27, 2007

TO: CVRC Board Directors

VIA: David R. Garcia, Chief Executive Officer

FROM: Ann Hix, Acting Community Development Director
Eric Crockett, Redevelopment Manager

SUBJECT: REDEVELOPMENT UNDERWRITING POOL

BACKGROUND:

A joint planning effort between the City/Redevelopment Agency (Agency) and the San Diego Unified Port District (Port) created the Chula Vista Bayfront Master Plan (CVBMP) that envisions developing a world-class waterfront using sound planning and economics. The CVBMP project area encompasses a total of approximately 550 acres that includes approximately 490 acres of land area and 60 acres of water area that lie within the Bayfront Redevelopment Project Area. Over the next several years, the City anticipates the CVBMP's new development and redevelopment projects will require between \$178 million and \$510 million in capital and infrastructure requirements.

To finance these projects, it is necessary to establish a pool of investment banking and underwriting firms to serve as an integral part of the City's financing team comprised of the City's financial advisor, bond counsel and City staff. In addition to establishing the underwriting pool for the CVBMP, there is a desire for the underwriting pool to also provide their financial expertise when the Agency considers development projects within the other Redevelopment Project Areas. For any given project financing, one firm will be selected to act as Senior Manager and may contract with the other firms to co-manage if necessary. The Senior Manager will work with the City's financing team in formulating a debt financing strategy. Other duties include but are not limited to developing a sales strategy and marketing plan, assisting in structuring the debt issuance, making recommendations on the timing of the debt sale, maturity schedule and call provisions, analyzing and assisting in the evaluation of credit enhancement proposals, and assisting in preparing documents related to debt issuance.

Based on a Request for Proposal (RFP) process, staff recommends that seven firms be included in the pool. The City will be required to enter into agreements with selected firms only at the time of any debt financing.

RECOMMENDATION:

Staff recommends that the Chula Vista Redevelopment Agency and City Council establish a pool of seven investment banking and underwriting firms for the City of Chula Vista Bayfront Development and Redevelopment Agency project areas.

DISCUSSION:

The practice of establishing an underwriting pool streamlines the process for project financing. Additionally, the pool concept provides the City and Agency with a wide range of financial expertise and it provides for participation by a variety of qualified firms.

On March 23, 2007, the City issued a Request for Proposal (RFP) for investment banking and underwriting services. The RFP was advertised in the Star News, a local publication, and many underwriting firms were contacted and invited to participate in this process. In total, ten proposals from national and regional municipal investment banking and underwriting firms were received.

A four-member panel consisting of the City's Director of Finance, Assistant Director of Finance, Treasury Manager and the City's financial advisor was created for the selection process. After reviewing all ten proposals, the panel selected nine firms to interview. After a comprehensive evaluation process, the interview panel selected a total of seven firms to be included in the pool as Senior Manager or Co-Manager. Not all firms in the pool will participate in each financing. However, it is possible that all of the firms will have the opportunity to participate in some capacity in at least one financing.

Following is the alphabetical listing of the selection recommendation and a summary of the firms' profiles:

1. Bank of America
2. Citigroup
3. De La Rosa & Co.
4. Goldman Sachs & Co.
5. JP Morgan
6. Stone & Youngberg
7. UBS

Bank of America

Bank of America Securities, LLC, (BAS) is the investment banking, securities trading, and underwriting affiliate of Bank of America, N. A., the nation's second largest commercial bank in terms of total assets. BAS has a real estate financing capability that specializes in tax-supported bond issues (special taxes, assessments, mortgages, or tax increment). BAS also has specific experience in marketing mix-use development projects and offers a team of bankers with municipal finance industry experience of over 20 years.

BAS Public Finance is headquartered in New York City, but provides service to clients via a network of 23 investment-banking offices nationwide, including Irvine and Los Angeles. BAS also has three full-service underwriting, sales, and trading desks with one office in San Francisco. The firm has over \$1.8 billion in excess net capital as of June 30, 2006.

Citigroup

The Company was formed by the merger of Traveler's Group and Citicorp in 1998 to form the largest financial services firm in the world. The firm is a leader in development and redevelopment finance, and a national leader in tax-exempt hotel financings. Citigroup offers a team of bankers with municipal finance industry experience of over 20 years and ranks as the number one senior manager of California debt since the year 2000. The firm has a long history of success serving their California clients through their offices in Los Angeles, San Francisco and Seattle. Currently, Citigroup's Municipal Securities Division consists of 220 public finance bankers, 126 sales and trading professionals, and 62 financial product and credit specialists nationwide. Citigroup's excess net capital is \$3.35 billion as of July 31, 2006.

De La Rosa & Co.

De La Rosa & Co. is a California-based investment banking services firm with full-service offices in Los Angeles and San Francisco. The firm is a top ranking municipal bond underwriter in California. De La Rosa & Co. is the only major firm serving California municipal issuers that focuses exclusively on the California municipal bond market. The firm has over 15 years of investment banking experience in bond underwriting, transportation financings, and redevelopment and land-secured projects.

Goldman Sachs & Co.

Goldman Sachs & Co. (Goldman Sachs) is a leading global investment banking and securities firm that provides a full range of investment banking and financing services, is based in New York, and maintains offices in over 20 different countries. The firm has maintained a Public Finance Department, the Municipal and Infrastructure Finance Group, for over half a century and is organized under regional groups with the Western Region Group based in their San Francisco and Los Angeles offices. The municipal finance team has over 15 years experience. Goldman Sachs has a wealth of experience in development-related financings.

Goldman Sachs has been the lead manager on complex and innovative financings in the country for projects with limited dedicated revenue streams, has a special group which invests in real estate across the country, and has significant experience in real estate transactions in the municipal sector. The firm's excess net capital is \$2.6 billion, and, unlike many firms, Goldman Sachs has no preset limits concerning the allocation of capital to their municipal underwriting.

JP Morgan

JP Morgan Chase & Co. (JP Morgan) is a global financial services company, is the third largest financial institution in the nation, and the fifth largest bank in the world. JP Morgan's Public Finance Group conducts its business through one of its three wholly-owned subsidiaries, JP Morgan Securities, Inc. The Public Finance Department is headquartered in New York and maintains 18 regional offices across the country. The Western Region Group is based in San Francisco with secondary offices located in Los Angeles. The firm has over 25 years experience in public finance with a wide array of senior-managed projects, including tax-exempt and taxable financings. The firm's excess net capital is \$1.3 billion as of July 31, 2006.

Stone & Youngberg

Stone & Youngberg is California's largest regional investment banking firm specializing in municipal finance. Founded in 1931, the firm has a rich history of providing investment banking and brokerage services to the State of California, local government entities, high net worth investors, and institutional investment funds. Stone & Youngberg is headquartered in San Francisco with offices throughout the State, including San Diego. With over 25 years experience in municipal finance, the firm has worked on redevelopment projects, tax allocation, and revenue bond issues, and special tax bond issues for public infrastructure needs. Stone and Youngberg has vast experience in community facility district (CFD) and assessment district financings.

UBS

UBS Securities, LLC (UBS), is a wholly-owned subsidiary of UBS AG, a publicly-traded company. UBS AG is incorporated and domiciled in Switzerland and is headquartered in New York. UBS is a leading global securities and investment banking firm providing a full spectrum of products. The firm has extensive experience in transportation finance and has specialists located in California. UBS is also a leader in land secured and tax increment financing with offices in Los Angeles and San Francisco and has a team with over 20 years experience in public finance. Additionally, UBS has extensive experience with multi-purpose issuers and convention center bonds and other related credits. UBS has an excess net capital of \$4.6 billion as of June 30, 2006.

DECISION MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site specific and consequently the 500 foot rule found in California Code of Regulations section 18704.2(a)(1) is not applicable to this decision.

FISCAL IMPACT

There is no direct fiscal impact to the General Fund as a result of the recommended action. The fiscal impact upon future debt issues will vary depending on the size and type of the issue. All costs to be incurred will be paid solely from the proceeds of each particular transaction and therefore become part of the long-term debt cost of issuance.

PREPARED BY: *Nadine Mandery, Treasury Manager, Finance Department*

CVRC RESOLUTION NO. _____

RESOLUTION OF THE CHULA VISTA
REDEVELOPMENT CORPORATION
RECOMMENDING THAT THE REDEVELOPMENT
AGENCY OF THE CITY OF CHULA VISTA AND THE
CHULA VISTA CITY COUNCIL ESTABLISH A POOL
OF INVESTMENT BANKING AND UNDERWRITING
FIRMS FOR THE CHULA VISTA BAYFRONT AND
REDEVELOPMENT AGENCY PROJECT AREAS

WHEREAS, the Chula Vista Bayfront Master Plan (CVBMP) encompasses approximately 550 acres in the Bayfront Redevelopment Project Area; and

WHEREAS, staff anticipates that new development and redevelopment projects in the CVBMP will require between \$178 million and \$510 million in capital and infrastructure requirements; and

WHEREAS, staff proposes to establish a pool of investment banking and underwriting firms to assist the City's financing team; and

WHEREAS, staff anticipates that the underwriting pool will provide financial expertise for development projects within Redevelopment Agency Project Areas in addition to projects in the CVBMP; and

WHEREAS, staff conducted a formal Request for Proposal process and ten proposals from national and regional municipal investment banking and underwriting firms were received; and

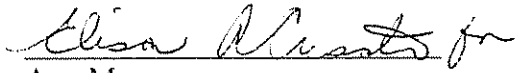
WHEREAS, the selection panel recommends the following firms, listed in alphabetical order, to comprise the pool of investment banking and underwriting firms: Bank of America, Citigroup, De La Rosa & Co., Goldman Sachs & Co., JP Morgan, Stone & Youngberg, and UBS.

NOW THEREFORE, BE IT RESOLVED by the Chula Vista Redevelopment Corporation that it recommends that the Redevelopment Agency of the City of Chula Vista and the Chula Vista City Council establish a pool of investment banking and underwriting firms for the Chula Vista Bayfront and Redevelopment Agency Project Areas.

Presented by:

Approved as to form by:

Ann Hix
Acting Community Development Director


Ann Moore
General Counsel

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